

MICHIGAN FAMILY INDEPENDENCE AGENCY

ACCOUNTING GUIDE FOR YOUTH SERVICES PROVIDERS

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OVERVIEW

PURPOSE:

To provide the Family Independence Agency (FIA) with specific information related to activities concerning program services purchased by FIA. This information is vital to FIA for claiming federal reimbursement on various expenditures.

AUTHORITY:

The contract between FIA and the contractor allows FIA to request supplemental information. The contract provides the contractor with various information necessary to complete both the audit and the supplemental information.

APPLICABILITY:

Reporting using the FIA Accounting Guide is mandatory wherever an agency receives funds from FIA for the following programs: Foster Care, Independent Living and Adoption. The guide is to be followed even if the Foster Care services contractor is classified as a vendor.

EFFECTIVE DATE:

These requirements are effective for fiscal years beginning October 1, 1994, or later.

INQUIRIES:

Further information concerning the Accounting Guide may be obtained by contacting the Office of Contracts and Rate Setting at (517) 373-0448 or by E-mailing FIA_RateSetting@state.mi.us..

SANCTION:

Sanctions may be imposed on contractors that do not report in accordance with Accounting Guide requirements. These sanctions include:

1. Postponed rate updates.
2. Postponed retroactive rate increases.
3. Payment recovery
4. Cancellation of contract(s) between FIA and the contractor.

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FUNCTIONAL EXPENSES

Statement of Functional Expenses

The functional classification of expenses provides an analysis of the cost associated with each of the program services or other activities in which the organization is engaged. To show the type of cost involved in providing these services or in carrying out other activities, the organization's financial statement should contain a statement that sets forth in reasonable detail the nature of the expenses and costs incurred in each functional category of program and supporting services. In many cases, the type of expenditures will be limited to a few line items, such as employee salaries and benefits, awards and grants, supplies, occupancy, etc. The detail to be shown will vary from one organization to another depending upon the activities in which the organization is engaged and the methods followed in carrying out those activities. The financial statements should, however, contain sufficient information to enable the reader to obtain an understanding of the nature of the costs incurred in carrying out the organization's activities.

Program Services

The functional classifications generally follow the program or services being provided. In most cases, several separate unidentifiable services may be provided. Grants to other services agencies and to affiliates for social services rendered by them should be included in the functional categories since these payments are program services expenditures from the standpoint of the organization providing the funding.

Management and General

Management and general costs include expenditures for the overall direction of the organization, general record keeping, business management, budgeting, general board activities and related purposes. (Direct supervision of program services and of fund raising should be charged to those functions.) If they spend a portion of their time directly supervising fund-raising or program service activities, such salaries and expenses should be prorated among those functions.

Fund Raising

The fund-raising function encompasses more than the solicitation of contributions. Other expenditures that should normally be charged to this function include costs of transmitting appeals to the public (including postage, addressing and maintenance of mailing lists and other fund drive records) and the salaries of personnel connected with the campaign.

Expenses incurred in keeping a charitable organization's name before the public should be classified as fund-raising expenses. The cost of disseminating information to inform the public of the organization's "stewardship" of contributed funds, the publication of appointments, the annual reports, etc. should likewise be classified as fund raising.

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REPORTING FOR THE
STATEMENT OF FUNCTIONAL EXPENSES

1. REQUIRED LINE ITEMS

All Foster Care and Adoption programs shall use the following line items to report expenditures. The contractor may add additional line items to provide more detailed information. However, the contract may not delete any of the required line items.

PROGRAM NAME

Line Items

Salaries
Employee Benefits
Payroll Taxes
Professional Fees
Supplies
Telephone
Postage and Shipping
Occupancy
Printing, etc.
Local transportation
Conf. Conv.-& Major Travel
Subscr. Ref. Pub. (Staff)
Specific Assistance
Membership Dues
Awards, Grants and Scholarships
Equipment (Current Expense)
Capital Expenditures
Miscellaneous
Parent Organ. (Svc. Charge)
(Overhead)
Depreciation
Total

2. REQUIRED PROGRAM DISCLOSURES

The statement of functional expenses must contain a separate fund raising column on the Statement of Functional Expenses if the contractor receives any contributions. This column must use the same line items required for all other programs.

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3. REQUIRED SOCIAL SERVICES AND MAINTENANCE COLUMNS

Foster Care residential programs and Foster Care placement agency programs must report expenditures in two columns in the Statement of Functional Expenses (Social Services and Maintenance). The purpose of a two-column presentation is to identify costs chargeable to the federal funding source. The amounts reported in the Social Services Column for the FIA Foster Care programs are chargeable to the Federal IV-E funding source. The following pages describe the type of expenses chargeable to these columns.

REPORTING FOR FOSTER CARE PROGRAMS

STATEMENT OF FUNCTIONAL EXPENSES

Expense Elements	FIA Residential Program		Family Foster Care Placement Agency program	
	Social Services	Maintenance	Social Services	Maintenance
Salaries				
Employee Benefits				
Payroll Taxes				
Salaries				
Supplies				
Telephone				
Postage and Shipping				
Occupancy				
Printing, etc.				
Local transportation				
Conf. Conv.-& Major Travel				
Subscr. Ref. Pub. (Staff)				
Specific Assistance				
Membership Dues				
Awards, Grants and Scholarships				
Equipment (Current Expense)				
Capital Expenditures				
Miscellaneous				
Parent Organ. (Svc. Charge)				
(Overhead)				
Depreciation				
Total				

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4. REPORTING EXPENDITURES

Residential programs and Family Foster Care programs normally provide both social service activities and maintenance to youth. Post-Family Foster Care and Adoption Services are primarily social service oriented. The following definitions are offered to clarify these concepts:

Maintenance: Maintenance includes all the costs incurred to provide a child with basic necessities. This includes: food; clothing; shelter; children's allowances; dental or other special costs directly related to a youth's care; education with the exception of those items specified as social services; and daily supervision. Salaries of recreation and social work staff are maintenance costs whenever they relate to the direct supervision of a child or the supervision of staff providing direct supervision. Under maintenance, also include salaries of cooks, cleaning personnel and other staff members who contribute solely to child or building maintenance.

Within a program, it often becomes necessary to allocate expenditures between social service and maintenance. For example, a social worker may provide service to a child's family, but may also supervise a child in care. In many cases these workers do not have well-defined schedules that distinguish their social service duties from their maintenance duties. In these instances, the percentages for expenditures for workers to be allocated to social service or maintenance should be obtained through time studies. Thus, the portion of time spent by a social worker in counseling parents or in assessing a child's services needs while not providing direct supervision is considered a social service. Any other duties of the worker that are maintenance-related are allocated similarly in the maintenance column.

In the case of a placement agency, amounts other than those paid to the foster family home as specific assistance are considered social service costs.

In the case of occupancy costs, such as building maintenance or other expenses that benefit the institution as a whole, an allocation should be made on the basis of the percentage of space that the institution uses for social service activities or child maintenance. Under some programs, a building may be used for both. In these cases, an estimate is to be made of the time percentage use for each of the two purposes. Then, the total expense is to be allocated accordingly.

Social Services Program costs: Social services costs include only those costs that cannot be related to direct supervision of a child. Specific attention is to be given to the areas of education, recreation and social work.

- A. Education, testing, evaluation and assessment are social services and are to be allocated as such.
- B. Recreation – Only those costs that do not relate to direct child supervision are to be allocated at social services.

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- C. Social Work – Social work that is directed to a child’s family is to be allocated as Social Service. Social work with a child is to be allocated as a social service only if it does not involve direct supervision of a child or supervision of staff who supervise a child.

Psychology and psychiatry will normally be considered social services.

It is important that social service costs be directly identifiable with a specific agency program. If such identification is not possible, they are to be allocated as Management and General. (See page 2).

ALL OTHER FIA FUNDED PROGRAMS

If an agency has other programs funded by FIA, the following reporting requirements apply:

1. Each FIA contract type must be shown separately on the Statement of Functional Expenses. Include all expenses for the program.
2. Other FIA programs must report expenditures using the same line items as in the FIA contract. If the contract does not use line items to bill cost, expenditures must be reported on the Statement of Functional Expenses using the same line items as in #1 above.

AUDIT REQUIREMENTS

The aforementioned reporting requirements may be included as part of the audited financial information, or may be presented as supplemental information reported by the auditor.